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ABSTRACT

A study of work programs for Aid to Families with Dependent Children (AFDC) recipients in 38 states showed that these programs serve a minority of the recipients. They are providing mainly low cost services minority of the recipients. They are providing low cost services such as job search assistance to those people who need the least help in entering the work force. The programs do not solve the employability problems of those with little education or work experience. The current multiplicity of program authorizations within Title IV of the Social Security Act results in division of responsibilities, duplication of effort, complex and conflicting regulations, and unintentional incentives created by disparate funding levels. This testimony recommends that Congress consider legislation that: (1) encourages states to target AFDC recipients who are most at risk for long welfare stays; (2) encourages states to provide more intensive support services such as remedial education; (3) encourages the provision of more support services during and after participation in a work program; (4) provides for performance standards that reflect gains in employability; (5) consolidates the multiplicity of AFDC work programs into one comprehensive program; and (6) requires the collection of standardized information about participants, activities, and outcomes. (VM)

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Before the
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Findings on Current AFDC Work Programs and Implications for Pending Legislation

Our testimony focuses on the findings of our recent report, Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy and the implications of these findings for pending legislation. In our study of work programs for AFDC recipients in 38 states (including WIN Demonstrations, CWEP's, Employment Search programs, and Work Supplementation programs), we found that the programs are serving a minority of the AFDC caseload and are usually concentrating on the people who need the least assistance in entering the workforce. They are providing mainly low-cost services such as job search assistance that are helpful for those participants who are job-ready, but do not solve the employability problems of those with little education or work experience. The current multiplicity of program authorizations within Title IV of the Social Security Act results in division of responsibility and duplication of effort between state agencies, complex and conflicting regulations, and unintentional incentives created by disparate funding levels.

Our research findings suggest that Congress consider legislation that:

-- encourages states to target AFDC work programs to those recipients who are most at risk for long welfare stays;

-- encourages states to provide more intensive services, such as remedial education, high school completion, and vocational training;

-- encourages the provision of support services during and after participation in a work program;

-- provides for performance standards that reflect gains in employability and the potential for jobs found to lead to self-sufficiency;

-- consolidates the current multiplicity of AFDC work programs into one comprehensive program;

-- requires the collection of standardized information about program participants, activities, and outcomes.

We appreciate the opportunity to testify before this committee on work programs for AFDC recipients. Our testimony focuses on our nationwide study of employment-related programs run by state welfare agencies, which we conducted at the request of Representative Ted Weiss of New York. Our results and conclusions are described more extensively in our January 29, 1987 report, Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy (GAO/HRD-87-34), which we believe is the most comprehensive source of national data on these programs to date. Today, I would like to focus on some of our most important findings and their implications for future work/welfare programs, but first let me describe the source of our data.

Through a mail questionnaire, we collected fiscal year 1985 data on all of the 61 work programs operated by AFDC agencies--WIN Demonstrations, authorized under Title IV-C of the Social Security Act, and Community Work Experience Programs, job search programs, and work supplementation or grant diversion projects, authorized under Title IV-A of the Act. The programs we surveyed ranged from major state initiatives, such as the Employment and Training (ET) Choices program in Massachusetts, to small demonstration projects, such as projects in South Carolina and Ohio to train AFDC recipients as home day care providers. To get more in-depth information than that provided by our questionnaire, we visited programs in 12 states, selected for their diversity.

My testimony focuses on our findings as they relate to three pieces of legislation--the Fair Work Opportunities Act (H.R. 30) introduced by Chairman Hawkins, the Family Welfare Reform Act of 1987, reported out by the Subcommittee on Public Assistance and Unemployment Compensation of the House Ways and Means Committee, (H.R. 1720), and the Work Opportunities and Retraining Compact (H.R. 1696) introduced by Congressman Levin.

PARTICIPANTS

First, concerning participation, current AFDC work programs are serving a minority of the AFDC caseload. In WIN Demonstration states, where our survey included all the work programs serving AFDC recipients, we estimated that these programs reached about 22 percent of all the adults who were on AFDC during fiscal year 1985. Moreover, an unknown proportion of the people counted as participants received no services other than an orientation or assessment.

Unfortunately, the people being left out of the work programs include many who might have the greatest need for the services and could yield the greatest savings to the welfare system. For example, few programs we studied required women with children under 6 years old to register or participate. While some programs encouraged these women to participate as volunteers, others had neither the capacity nor the child care funds necessary to serve them. Yet, research shows that young, unmarried women who enter AFDC when their children are less than 3 years old are the group at greatest risk of spending at least

ten years on AFDC. Delaying a woman's exposure to the labor market until her youngest child turns 6 may decrease potential welfare savings and put her at a disadvantage in the labor market.

Some programs also exclude people who need education, training or support services before they can find a job. Yet, like women with young children, people with low levels of education and work experience are at risk of becoming long-term AFDC recipients. Research suggests that they benefit most from employment and training programs, in large part because they are less likely to go off welfare on their own.

These findings have several implications for policy. The Congress might want to consider requiring states to give priority to AFDC recipients who are harder to employ or likely to be dependent on welfare for long periods of time, as is done by H.R. 30 and H.R. 1720. These bills also require that the performance standards established for the program encourage serving the most disadvantaged participants. This contrasts with H.R. 1696, which would not change the current WIN priority given to principal earners in two-parent families, who tend to be men with employment histories, thus more likely to leave welfare on their own than single-parent AFDC recipients.

Whether women with young children should be required to participate or simply encouraged to volunteer is a difficult question in light of concerns about adequate care for the children and conflicting opinions about the value of mothers

staying home with their children. Some programs have succeeded in serving this population. For example, no AFDC recipients are exempt from Oklahoma's Employment and Training Program (called E&T) based on the age of their children. In 1985, parents of children under 6 were 70 percent of E&T registrants and 68 percent of those who found employment. The Committee may want to consider the approach taken by H.R. 1720, which exempts women with children under 3 from the requirement to participate but requires states to give them top priority in receiving services if they volunteer.

SERVICES

Serving people with greater barriers to employment requires more intensive--and expensive--services such as education and training. We found that, although programs are only serving a minority of adult AFDC recipients, states appear to be spreading their resources thinly to serve as many people as possible rather than providing more intensive services to fewer people. While WIN Demonstrations are allowed to provide a range of services including training and education, the predominant service provided is job search assistance, a relatively inexpensive service designed to place participants in jobs immediately, rather than improve their skills first. While this service may be useful for some people who are ready for the job market, it does not increase their educational levels or skills.

Lack of resources is a major reason for the emphasis on job search assistance: three-fourths of the WIN Demonstrations spent

less than $600 per participant. As a result, many programs must rely on other sources, such as the Job Training Partnership Act (JTPA) and local education systems, but their current resources may be inadequate as well. For example, JTPA served only 150,000 AFDC recipients from July 1984 to June 1985, less than a fourth of the number of participants in the WIN demonstrations alone, which themselves served only a fraction of the adult AFDC caseload.

H.R. 30, H.R. 1720, and H.R. 1696 allow or require states to provide a wide variety of services, including job search, education, training, and work experience based upon an initial assessment of a client's needs and capabilities. However, our research on WIN Demonstrations shows that merely allowing a wide variety of services does not ensure that many people will receive more intensive services, and even requiring them does not ensure that they will be provided on a large scale. Thus, Congress might want to consider encouraging the provision of more intensive services through provisions such as:

-- performance standards that account for the greater difficulty and time involved in serving the harder to employ welfare recipients, treat increases in educational attainment as a positive outcome, and reflect the nature of the jobs found, as discussed elsewhere.

-- requiring states to provide high school or remedial education to participants without high school diplomas. H.R. 1720 requires states to offer participants without a

high school diploma the opportunity to participate in an education program. Whether this provision would actually have an impact, and whether there are adequate resources for providing this education, are unclear.

-- limiting the amount of time program participants can spend in activities that do not enhance employability. For example, H.R. 1720 limits to eight weeks the amount of time in which an individual can participate in job search without finding a job, before being assigned to training, education, or another activity designed to improve employability. H.R. 1720 also limits to three or six months the amount of time participants can spend in work experience, depending on the type of work experience. This would prevent people remaining in this activity for long periods of time without finding paid employment.

It is important for Congress to recognize that increasing the intensity of services will require either decreasing the number of people served or increasing overall funding for employment and training services for welfare recipients. Thus, if funding is limited, Congress might prefer that states provide less than their entire eligible caseload with meaningful services rather than diluting available funds by spreading them over too many people.

Establishing performance standards, requiring states to offer education to high school dropouts, and limiting the amount

of time for less intensive activities may not provide strong enough incentives to counteract the natural tendency to provide less intensive services to more people. Congress might want to consider other mechanisms, such as providing higher matching rates for more intensive services or limiting the proportion of participants in less intensive services.

SUPPORT SERVICES

To participate in work programs, AFDC recipients often need support services, such as child care, transportation, or counseling on personal problems. However, work programs spend little money on these services; half of those in our survey spent less than $34 per participant for child care, for example. The programs depended instead on other sources, such as state and Social Services Block Grant funds. However, as in the case of training and education, these sources are often insufficient to meet the needs of the eligible population. Program staff, for example, told us that shortages of state subsidized child care slots were a major problem. As a result, they reported that they could not serve some people who were in need of support services. We also found that many work program participants have difficulty making the transition to work because their earnings may not make up for decreased cash and medical benefits and increased child care, transportation, and other expenses.

H.R. 30, H.R. 1696, and H.R. 1720 all require states to provide supportive services to work program clients while in the program. H.R. 30 allows the extension of child care and

transportation services for six months after a client enters employment. H.R. 1720 and H.R. 1696 require states to extend child care, transportation and health care for six to twelve months after participants enter employment. Extending support services and health care could increase job retention among program participants.

H.R. 1696 provides that the federal government pay only 50 percent of the cost of support services, as opposed to at least 70 percent of the costs of regular program services. Yet, support services could be a substantial part of the costs of a program serving women with children under 6. Matching support services at a lower rate than program services could encourage programs to serve mainly clients who do not need support services to participate and could reduce a program's incentive to extend support services after a participant finds a job.

PROGRAM RESULTS AND PERFORMANCE STANDARDS

Data from our survey of 61 programs show that most participants in AFDC work programs were placed in low-wage jobs, with a median hourly wage of $4.14. In half the programs, fewer than 48 percent of the participants left AFDC after finding work, although their AFDC grant amounts were lowered. This is due to the low-wage and/or part-time nature of the jobs found.

The modesty of the results may be related to the tendency of programs to provide low-cost services that do not enhance employability in higher-wage and/or full-time positions. Lack of continuing support services, as already mentioned, may also limit

impact. Moreover, since these programs do not create new jobs, they depend on the ability of the local economy to provide them.

Program success is often measured in terms of placement rates. Yet, this measure is not sensitive to the ability of the job to sustain a family off the AFDC rolls for the long term, or to the differing economic conditions and participant characteristics facing different programs. Moreover, it does not reflect other gains short of acquiring a job, such as increased educational attainment. Thus, using only placement rates to measure success may discourage providing more intensive services or serving the harder to employ, who might not show placement gains in the short run.

Instead of being measured only by placement rates, performance should also be measured by the types of jobs found by participants and the other gains they make, such as in educational attainment. H.R. 1720 and H.R. 1696 provide for treating increases in educational attainment as a measure of success. Congress might also want to measure wage levels, job retention, and placement in jobs with health benefits, all of which are included in some or all of the bills under consideration.

Performance standards can be an incentive to states to serve the harder to employ. H.R. 30 and H.R. 1720 require that performance standards be designed to reward states that target programs on the hardest-to-place. It is important that all performance standards reflect differences in local conditions and

clienteles served, as all three bills provide.

Congress might want to specify, as does H.R. 1696, that the standards should reflect performance, not participation. Prescribing that states serve a certain proportion of their AFDC caseload would increase the incentive to spread funding thinly over large numbers of people by providing low-cost services that do not enhance employability.

ADMINISTRATIVE ISSUES

The current AFDC work programs are a patchwork of administrative responsibilities and funding. The regular WIN program continues to be administered jointly by the Department of Labor and the Department of Health and Human Services (HHS) and, at the state level, by the welfare and employment security agencies. The WIN Demonstrations, CWEPs, Employment Search programs, and work supplementation programs, however, are administered solely by HHS and state welfare agencies. At the state level, this administrative division can result in duplication and inefficiency, impeding development of coherent work programs. Moreover, WIN, WIN Demonstrations, and each of the three smaller programs has different regulations and reporting requirements. The new requirement to establish Food Stamp work programs means that states must follow still another set of regulations and reporting requirements.

The multiplicity of program options allows states to tailor their programs to their own local needs and to be creative in trying different approaches. Flexibility does not, however,

necessarily require multiple program authorizations. Authorizing one program that permits a range of services would give the states flexibility to meet their local needs and help resolve the division of administrative responsibility.

H.R. 1720 comes closest to rationalizing the system of work programs, consolidating WIN, WIN Demonstrations, CWEP, Work Supplementation and Employment Search as part of the new NETWork program. H.R. 1696 adds an umbrella administration and retains all the authorizations, thus complicating the existing system without substantially enhancing the services available through current work programs. H.R. 30 replaces WIN and WIN Demonstrations with a new comprehensive program but also leaves the CWEP, job search and work supplementation authorities intact.

We believe a streamlined and coherent program authorization is needed, one which would unify and simplify work program administration. Work program reform should address all existing authorizations, combining them to ensure a single, more efficient comprehensive program and eliminating any conflicting provisions.

COORDINATION WITH OTHER PROGRAMS

Education and training can be provided either by giving the AFDC work program funds to purchase such services directly from providers or by expanding or retargeting other programs such as JTPA, to enable them to serve more welfare recipients. For example, Senator Kennedy's bill attempts to target JTPA toward long-term welfare recipients. Congress must consider whether and

to what extent it wishes to provide most education and training aid through programs like the Job Training Partnership Act or to create a parallel education and training system for welfare recipients. In making the decision, it must weigh the welfare agency's concern for its clients and incentive to reduce its own costs by getting participants back to work against the JTPA system's expertise in employment and training. If some services are to be provided mostly by other programs, then coordination mechanisms are important. H.R. 30 requires Private Industry Councils under JTPA to include a representative from the state welfare agency. This approach, used in some states, might enhance coordination.

FUNDING

The different work program options receive disparate rates of federal financial participation. The federal government provides 90 percent of the funding for WIN (including WIN Demonstrations) up to a state's maximum allocation. The CWEP, job search, and work supplementation options receive 50 percent matching grants, which are not capped. Thus, by adopting one of these latter work programs, a state can supplement its cappped WIN funds with uncapped funds. This may lead to an emphasis on activities allowable under these authorities, such as CWEP and job search. Between 1981 and 1987, WIN funds declined by 70 percent, limiting the resources available for the more intensive types of services--education and training.

We found that individual programs displayed a great variety

in their dependence on federal funding: for example, the proportion of federal funding in WIN Demonstrations ranged from 42 to 96 percent, with half receiving less than 80 percent. The variation reflects states' differing degrees of commitment and ability to support their work programs beyond the amount they are required to contribute.

Providing stable federal funding with a uniform matching rate for all options would help states plan their programs and emphasize the services they believe are most appropriate. All of the bills would reduce the federal matching rate from the current 90% for the WIN program. The matching rate would decrease to 60% under H.R. 1720 and 70% or the federal share of AFDC expenditures in the state, whichever is higher, under H.R. 1696. H.R. 30 would match state contributions at 90 percent up to the amount a state received under its FY 1986 WIN allocation and 75% of allocations exceeding the FY 1986 amount. Our results suggest that while some states would maintain their work program efforts if the federal matching rate were lower than the current 90 percent for WIN, others that are currently very dependent on federal funding might cut back their programs. This might include some states with serious poverty problems. H.R. 30's graduated matching system would cushion the impact of the lower matching rate for states now contributing the minimum amount federal law requires.

H.R. 30 retains the current dual matching rates, providing capped federal funding for the new, comprehensive program, while

leaving the CWEP, Employment Search, and Work Supplementation options intact with their unlimited federal funding at a 50 percent matching rate. This retains the incentive to emphasize activities allowable under these authorizations, rather than the training and education allowable under the new, comprehensive program.

REPORTING AND EVALUATION REQUIREMENTS

Reliable and valid information is critical to assessing a program's success at reaching the hard to serve, providing meaningful services, and placing clients in jobs that enable them to achieve self-sufficiency. Yet, we found that few reporting requirements or standard data definitions exist for current programs, making assessing and comparing them difficult. While H.R. 1720 provides some guidelines for data that should be collected by all programs under Title IV-A, Congress may want to be more specific in requiring the collection of data that is crucial to evaluating the success of the programs at reaching the harder to serve and moving them into self-sufficiency. Such data might include participant characteristics, the activities they participate in, whether they receive support services, and types of jobs in which they are placed including existence of health benefits.

In addition to accurate information, more program evaluations are needed to answer questions such as whether more intensive services pay off in the long run, what services work best for which people, and what is the most efficient and

effective way to deliver employment and training services to welfare recipients. The provision of H.R. 1720 setting up an interagency panel to evaluate the programs and appropriating funding for such an evaluation is a promising step toward learning the answers to these and other questions.

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In summary, GAO's work suggests the need for administrative consolidation of AFDC work programs, provisions encouraging more intensive services targeted to a more needy clientele, and measures of success including more than simply job placements. All of the bills make some improvements over current law. H.R. 1720 and H.R. 30 improve the targeting criteria in the WIN program in order to focus on those AFDC recipients most in need of employment related services. While all of the bills require that performance standards be designed to encourage the targeting and intensity of services, none of the bills may provide strong enough incentives to counteract the natural tendency to provide less intensive services to more people. All of the bills promote job retention by providing for some extension of child care and other support services after participants leave the program. H.R. 1720 consolidates the current unwieldy system of work program authorizations, resulting in a more efficient, comprehensive program. The lower federal matching rate provided by H.R. 1720 might result in a decrease in work program activity in some states, while H.R. 30's graduated matching system would ease the transition to a lower matching rate. H.R. 1720

prescribes the collection of standardized data and provides for evaluation of the new program.

That concludes my prepared statement; we would be pleased to answer any questions you may have.